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TO RUEHC/SECSTATE WASHDC 5593  
INFO RUCNAFG/AFGHANISTAN COLLECTIVE

UNCLAS SECTION 01 OF 02 KABUL 000561

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DEPARTMENT FOR S/SRAP, SCA/FO, SCA/A, EUR/RPM  
STATE PASS TO AID FOR ASIA/SCAA  
USFOR-A FOR POLAD

E.O. 12958: N/A

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SUBJECT: LAUNCHING QUICK RESPONSE FUNDS FOR FIELD OFFICERS

Ref: A) 12/18/2009: Email and attachments Nickerson to Hogan

"Justification of Two-Tracked Approach" (NOTAL)

B) 1/19/2009: Email and attachments Nickerson to Hogan, et al; "QRF  
- prep for the Wednesday call" (NOTAL)

11. This is an action request. See paragraphs 2, 9 and 10.

12. Summary and Action Request: Embassy Kabul Interagency Provincial Affairs (IPA) and the Financial Management Office (FMO) have been working to design a mechanism to disburse USD30 million in 2009 Supplemental Economic Support Funds (ESF) designated for use by State Department field officers for "Quick Reaction Funds" (QRF). During her November visit to Afghanistan, the Secretary highlighted this funding as a key State Department priority. As envisioned in the Congressional Budget Justification, these funds would be used for "small, quick impact projects... to support the activities of local neighborhood organizations, government organizations, and community-based organizations, including nonprofits, small businesses, professional associations, charitable organizations, and educational institutions." Embassy appreciates Washington's support for our proposed two-tracked approach to spending the money, which would allocate USD 24.5 million to USAID to help fund the District Delivery Program (DDP) and the remaining USD 5.5 million to "Field Operational Funds for Governance." Embassy urgently requests technical assistance from Department to design the most appropriate mechanism for launch of the Field Operational Funds. End Summary.

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Bulk of QRF for District Delivery  
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13. The District Delivery Program (DDP) is being designed in an interagency consultative process with the Government of Afghanistan (GIROA), and will provide basic service packages to high priority districts throughout Afghanistan. The DDP is being carefully planned with GIROA, the U.S. Mission, and other donors, in accordance with the Counterinsurgency and Afghan First principles encompassed in the USG civ-mil strategy toward Afghanistan. GIROA will implement the DDP, with most funding from the U.S. side coming from USAID and DOD.

14. Embassy recommended transferring the bulk of the QRF funds - USD 24.5 million - to USAID in support of the DDP, in order to reinforce our efforts to build capacity of local and district governments. Embassy reasoned the DDP would provide a strategically planned mechanism for assistance that would have immediate and far-reaching effects at the local level, in accordance with QRF goals. Embassy appreciates Department support for this plan, and understands that SCA/A has a Congressional Notification in the pipeline.

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Remaining Field Operational Funds More Challenging  
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15. Embassy has dubbed the remaining USD 5.5 million as "Field Operational Funds for Governance." USD 5 million would be set aside for use by field officers, and USD 500,000 would be allocated to

maintenance of an oversight and tracking database. Embassy and SCA/EX have agreed to model the database after the database used in Iraq for a similar QRF program, which NEA/I-Assist manages.

¶16. We have drafted two possible mechanisms for the use of the USD 5 million in the field: the first would entail drafting an obligating instrument that would allow the creation of a pool of Afghan contractors as part of a larger indefinite quantity contract (IQC) (refTel B). The second would be modeled closely to the Iraq QRF program, whereby an "imprest fund" would be set up for cash advances to the field not to exceed USD 10,000 per PRT field officer with designated duties, and micro purchases up to USD 3,000 per project (refTel A).

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Two Possible Mechanisms and Action Request  
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¶17. After a series of conference calls, emails and memos, we understand that the Office of the Procurement Executive has made a policy determination that the IQC option is not viable for us because "letting a contractor execute/manage grants unacceptably permits contractors to perform inherently governmental functions, per the Federal Acquisition Regulation (FAR) part 7.502(a)." SCA/EX has recommended that the Embassy follow the model used by U.S. Mission Iraq for its own State Department quick response program, which is implemented through micro purchases, grants, and expedited procurements. Embassy Kabul has told the Department, there are a number of challenges that may make the "Iraq model" impractical. These include, but are not limited to the following:

- Setting up and managing the "Iraq model" would require a minimum

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of one temporary FMO and two locally employed staff in Kabul (which we anticipate would become permanent positions) and one officer in SCA/A. This seems excessive for a \$5 million program in a universe in which strapped Embassy offices are handling some \$2.4 billion in civilian assistance. Costs associated with these new personnel would also be equivalent to a large share of the entire fund.

- A limited number of our field officers have grant and contract training, but overall our field staff lacks the capacity and training to manage foreign assistance funds.

- Moving money in Afghanistan's cash-based economy is extremely complex. Unlike Iraq, the use of U.S. Treasury checks is not an option because the military does not provide this level of cashiering services in either U.S- or coalition-led field locations and have no plans to do so within their current, massive uplift/battlefield preparations. Afghanistan's banking infrastructure is not sufficiently developed to allow electronic funds transfers (EFTs) to the vast majority of field locations in Afghanistan. Embassy is exploring possible use of cash-courier services through Standard Chartered Bank, which would carry a transaction cost per service, but we are not yet sure this will be possible.

- The daily cash counts associated with this approach, in addition to the project design, tracking, justification and implementation, will be a time-consuming process for our field officers, who already face multiple and intricate demands on their time. We believe it would also put an unreasonable burden on them to be personally responsible for the cash - an average of \$2000 to \$3000 per grant.

¶18. With barely more than seven months remaining to obligate the USD 30 million in Economic Support Funds designated for use by State Department Field officers, it is becoming critical that we begin spending in order to contribute to our governance goals in the field. Our field officers are anxious to begin implementing small projects ranging from shuras to rule of law capacity training. This will also support our efforts to bring governance to the districts in support of the imminent uptick in military operations.

¶19. Action Request: We have tried here at post to design a mechanism that takes into account the realities in the field as well

as Department requirements. While we have consulted with a range of qualified grant and contracting officers here in Kabul, we have reached the limits of our technical capacity to launch this program.

We therefore request that Department select a mechanism or design an alternate that will allow the most expeditious, cost-effective launch of the Field Operational Funds, considering all the points raised in paragraph 5. Specifically, Post requests that the Department reconsider the IQC approach, which Embassy Kabul continues to believe is the most efficient option in the long term. We believe it would significantly reduce the administrative burden on field staff and introduce an acceptable level of contract/grant management capacity without burdensome training requirements on field officers who are not accustomed to managing foreign assistance money. No matter which approach is ultimately implemented, we recommend the Department fund and establish the oversight database based on the Iraq database. This will be far more cost-effective and expedient than tendering for an entirely new database, which we understand could cost \$2 million.

¶10. Action Request, continued. If for policy reasons the Department chooses to model the Afghanistan QRF program on the Iraq system, we recommend the following actions as an integral part of that plan:

- Extend all grant and contract training waivers that were granted in Iraq, and define the training requirements for personnel in Afghanistan.
- Provide a FMO TDY officer with specific foreign assistance grant and contract experience to deploy immediately to Afghanistan to set up the program.

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